

Message Text

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11

ACTION ARA-10

INFO OCT-01 AF-06 EUR-12 EA-06 NEA-09 ISO-00 CIAE-00

DODE-00 PM-03 H-02 INR-07 L-02 NSAE-00 NSC-05 PA-01

PRS-01 SP-02 SS-15 USIA-06 FEA-01 ERDA-05 AID-05

CEA-01 CIEP-01 COME-00 EB-07 FPC-01 INT-05 OMB-01

SAM-01 OES-03 STR-04 TRSE-00 FRB-03 SIL-01 LAB-04

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R 182000Z APR 75

FM AMEMBASSY PORT OF SPAIN

TO SECSTATE WASHDC 7635

INFO AMEMBASSY BEIRUT

AMEMBASSY BRIDGETOWN

AMEMBASSY CARACAS

AMEMBASSY GEORGETOWN

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KINGSTON

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIMA

AMEMBASSY MEXICO

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

AMCONSUL DHAHRAN

LIMITED OFFICIAL USE PORT OF SPAIN 0870

E.O. 11652: N/A

TAGS: ENRG, TD

SUBJECT: PM WILLIAMS ON TRINIDAD'S OIL POLICY

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REF: POS 147, POS 155 (BOTH JANUARY 18, 1974); POS 835
(NOTAL)

SUMMARY: IN TWO RECENT SPEECHES, PRIME MINISTER WILLIAMS OUTLINED GOTT'S PETROLEUM POLICY, EMPHASIZING CONTINUED RELIANCE ON COOPERATION WITH MULTINATIONAL OIL COMPANIES AND PRODUCTION-SHARING CONTRACTS. HE CITED PROBLEMS IN OBTAINING CRUDE FOR THE ONE GOTT-OWNED REFINERY AS REASON FOR NOT NATIONALIZING TEXACO'S REFINERY, BUT DID ANNOUNCE THE BUY-OUT OF TEXACO'S DOMESTIC MARKETING NETWORK (POS 835). GOTT WILL RENEGOTIATE A CONCESSION AGREEMENT OPERATED BY TEXACO TO PUT IT ON PRODUCTION-SHARING BASIS, AND WILL CONTINUE "POSITIVE" DISCUSSIONS WITH TEXACO TO ACQUIRE SOME EQUITY PARTICIPATION. COMMENT: DESPITE LOGIC OF PM'S ARGUMENTS, WILLIAMS REMAINS COMMITTED TO OBTAINING GOTT EQUITY PARTICIPATION IN EXISTING OIL INVESTMENTS. IF SUCH PARTICIPATION CANNOT BE NEGOTIATED, NATIONALIZATION REMAINS A LIKELY ALTERNATIVE, TIMED AT THE MOMENT THE PM CONSIDERS MOST PROPITIOUS. END SUMMARY.

BEGIN UNCLASSIFIED.

1. AT A SPEECH TO APPARTISAN POLITICAL GATHERING APRIL 13, PRIME MINISTER WILLAISM OUTLINED REASONS WHY GOTT HAD NOT NATIONALIZED ALL OF TEXACO'S HOLDINGS IN TRINIDAD, AS URGED BY RADICAL LEADER OF OILFIELD WORKERS TRADE UNION (OWTU) WHICH HAS BEEN OUT ON STRIKE AGAINST TEXACO FOR PAST FOUR WEEKS. PM FIRST JUSTIFIED GOTT'S ACTION IBN BUYING OUT TEXACO'S LOCAL DISTRIBUTION NETWORK (A CHAIN OF 76 GAS STATIONS, BUNKERING FACILITIES, AND HOUSEHOLD LPG DISTRIBUTION) BY CITING STEPS TAKEN BY SOME OPEC COUNTRIES TO ACQUIRE DISTRIBUTION NETWORKS IN CONSUMER NATIONS. HE THEN DREW ATTENTION TO FACT THAT TRINIDAD MUST IMPORT MAJOR PART OF OIL IT REFINES (80 PERCENT IN CASE OF TEXACO'S 350,000 BPD REFINERY, AND 33 PERCENT FOR GOTT-OWNED TRINTOC (FORMERLY SHELL) 100,000 BPD REFINERY). PM ALSO POINTED OUT THAT AMOCO'S OFFSHORE CRUDE PRODUCTION (100,000 BPD) IS LOW-SULPHUR AND NOT SUITABLE FOR PROCESSING IN LOCAL REFINERIES, BUT THAT EVEN IF ALL OF TRINIDAD'S INDIGENOUS CRUDE PRODUCTION WERE REFINED LOCALLY, THIS WOULD PROVIDE EMPLOYMENT FOR ONLY ONE-HALF OF TEXACO'S WORKERS.

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2. SINCE TRINIDAD WILL REMAIN DEPENDENT UPON IMPORTED CRUDE, WILLIAMS SAID IT MAKES SENSE TO LET MULTINATIONAL COMPANIES HANDLE PROBLEM OF SOURCES OF CRUDE AND MARKETING OF PRODUCT. AS EXAMPLE OF PROBLEMS THIS AVOIDS, HE CITED FACT THAT GOTT HAD ONLY THAT DAY RECEIVED FIRST SHIPMENT OF NIGERIAN CRUDE FOR TRINTOC REFINERY, WHICH HAD ENTAILED GOVERNMENT-TO-GOVERNMENT NEGOTIATIONS FOR TRINIDAD TO

ACQUIRE THAT PORTION OF SHELL'S NIGERIAN PRODUCTION FORMERLY DESTINED TO TRINIDAD. (APPARENTLY SHELL HAD STOPPED SUPPLYING NIGERIAN CRUDE TO ITS TRINIDADIAN REFINERY IN EARLY 1974, MONTHS BEFORE THE GOTT TAKEOVER WAS FINALIZED.) WILLIAMS RUEFULLY NOTED THAT TRINTOC IS PAYING A DELIVERED PRICE OF \$11.93 PER BARREL FOR THIS CRUDE, WHICH HE EMPHASIZED WAS NECESSARY TO KEEP REFINERY RUNNING AT CAPACITY AND PROVIDE WORK FOR ALL TRINTOC EMPLOYEES. PM ALSO REFERRED TO IRANIAN SCHEME TO BUILD GIANT EXPORT REFINERIES, AND SAID THIS MAY AFFECT LONG-TERM FATE OF OTHER EXPORT REFINERIES LOCATED NEITHER IN PRODUCER NOR CONSUMER NATIONS, AND IMPLIED THAT GOTT IS WISE TO LET MULTINATIONAL COMPANIES ASSUME THESE RISKS.

3. PRIME MINISTER ALSO DREW UPON NEWS ACCOUNTS STATING THAT ABU DHABI HAD DETERMINED IT DID NOT HAVE ENOUGH NATIONAL EXPERTISE TO RUN ITS OWN OIL COMPANY, AND UPON EXAMPLE OF OVER-INDEBTEDNESS INCURRED BY INDONESIA'S PERTAMINA, TO JUSTIFY TRINIDAD'S DECISION NOT TO TAKE OVER FOREIGN OIL INVESTMENTS HERE. ALL NEW CONCESSIONS RECENTLY GRANTED BY GOTT ARE PRODUCTION-SHARING CONTRACTS BASED UPON INDONESIAN AND PERUVIAN EXAMPLES, WHICH PM SAID ENSURE THAT GOTT RECEIVES FROM 60 TO 80 PERCENT OF PRODUCTION FROM COMMERCIALY SUCCESSFUL WELLS, WITHOUT INCURRING ANY EXPLORATION OR PRODUCTION COSTS. HE ALSO SAID THAT GOTT WILL RENEGOTIATE CONCESSION GRANTED TO TEXACO, SHELL AND TRINIDAD-TESORO IN LATE 1971 (IN WHICH DRILLING HAS ONLY NOW BEGUN) IN ORDER TO INCORPORATE ASPECTS OF PRODUCTION-SHARING AGREEMENTS. (GOTT ITSELF IS NOW MAJOR HOLDER OF THIS CONCESSION, FOLLOWING BUY-OUT OF SHELL AND SINCE IT OWNS MAJORITY OF TRINIDAD-TESORO.) THE PM EMPHASIZED THAT TRINIDAD INCURS NO RISK AND STANDS TO GAIN MUCH FROM THIS SORT OF ARRANGEMENT WITH MULTINATIONAL OIL COMPANIES, LIMITED OFFICIAL USE

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AND DECRIED THE NOTION OF SETTING UP A NATIONAL OIL COMPANY, WHICH HE SAID HAS A TENDENCY TO BECOME "A STATE WITHIN A STATE".

4. WILLIAMS SAID THAT TRANSFER OF TECHNOLOGY IS GREATEST PROBLEM FACING LDC OIL PRODUCERS TODAY, AND CLAIMED THAT NOT EVEN THE SAUDIS OR THE IRANIANS ARE ABLE TO ACQUIRE THE TECHNOLOGY TO ENABLE THEM TO EXPLOIT THEIR OWN RESOURCES. HE LAMENTED FACT THAT GOTT'S AGREEMENT TO BUY OUT SHELL DID NOT DEAL ADEQUATELY WITH TECHNOLOGY ISSUE, AND SAID THAT WHEN TRINTOC TOOK OVER REFINERY, IT FOUND IT HAD TO PAY SHELL FOR ALL USE OF SHELL'S TECHNOLOGY. NOTING THAT TECHNOLOGY QUESTIONS ARE BEING DISCUSSED IN UN AND OTHER INTERNATIONAL BODIES, PRIME MINISTER SAID THAT RESOLUTION OF THIS ISSUE WILL INDICATE WHETHER OR NOT INDUSTRIALIZED NATIONS AND

MULTINATIONAL CORPORATIONS WILL BE ABLE TO MAINTAIN THEIR
PREEMINENCE IN THE WORLD'S ECONOMY. END UNCLASSIFIED.

5. COMMENT: ACQUIRING GOTT EQUITY PARTICIPATION IN
EXISTING OIL INVESTMENTS IN TRINIDAD AND TOBAGO IS A BASIC
GOAL OF PM WILLIAMS, AND HE ANNOUNCED IN JANUARY 1974 THAT
TEXACO HAD "AGREED IN PRINCIPLE" TO SOME SORT OF PARTICI-
PATION. (TEXACO SAID IT HAD ONLY AGREED TO DISCUSS THE
MATTER.) ALTHOUGH NO FORMAL STATEMENTS HAVE BEEN ISSUED,
THE PRIME MINISTER HAS SEVERAL TIMES REAFFIRMED GOTT'S
INTENT AND IMPLIED THAT PARTICIPATION DISCUSSIONS HAVE
INDEED BEEN HELD WITH TEXACO. GOTT ATTEMPTS TO ACQUIRE
PARTICIPATION IN SHELL TRINIDAD FAILED, AND THE GOVERN-
MENT ENDED UP BUYING OUT ALL OF SHELL'S PROPERTIES FOR
ABOUT \$45 MILLION LAST AUGUST. IF TEXACO REFUSES TO
YIELD MEANINGFUL EQUITY PARTICIPATION TO GOTT, WILLIAMS
MIGHT WELL DECIDE TO NATIONALIZE THE REFINERY AND OTHER
PROPERTIES, DESPITE THE REASONING BEHIND HIS SPEECHES
DESCRIBED ABOVE. SUCH A MOVE, HOWEVER, WOULD CERTAINLY
COME AT A TIME OF DR. WILLIAMS' OWN CHOOSING, AND NOT
WHEN IT COULD BE SEEN AS GIVING IN TO DEMANDS BY RADICAL
UNION LEADERS.
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